

**CITY OF HILLSBORO, KANSAS**

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2010

**CITY OF HILLSBORO, KANSAS**  
Financial Statements With Independent Auditors' Report  
For the Year Ended December 31, 2010

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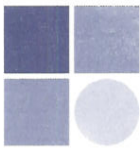
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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the City Council  
**City of Hillsboro, Kansas**  
Hillsboro, Kansas

We have audited the accompanying financial statements of **City of Hillsboro, Kansas**, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of **City of Hillsboro, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

The financial statements of **City of Hillsboro, Kansas** as of and for the year ended December 31, 2009 were audited by other auditors whose opinion, dated July 1, 2010, on those statements was qualified because of the departure from generally accepted accounting principles described in the third paragraph.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the City's legally separate component unit, Housing Authority of the City of Hillsboro, Kansas, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of **City of Hillsboro, Kansas**, as of December 31, 2010, and the changes in its financial position, and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Housing Authority of the City of Hillsboro, Kansas, will be issuing separate reporting entity financial statements.

As described more fully in Note 1, **City of Hillsboro, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

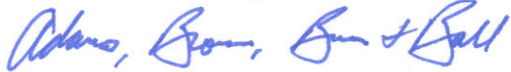
In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with the accounting principles generally accepted in the United States of America, the financial position of **City of Hillsboro, Kansas**, as of December 31, 2010, or the changes in its financial position for the year then ended. Further, **City of Hillsboro, Kansas** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.



**City of Hillsboro, Kansas**

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In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Hillsboro, Kansas**, as of December 31, 2010, and their respective cash receipts and disbursements and budgetary results for the year then ended on the basis of accounting described in Note 1.

A handwritten signature in blue ink, reading "Adams, Brown, Beran & Ball".

**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

September 22, 2011

**CITY OF HILLSBORO, KANSAS**  
Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Fund Categories</b>							
<b>General Fund</b>	\$ 98,014	-	1,908,571	1,846,411	160,174	10	160,184
<b>Special Revenue Funds</b>							
Airport Revolving Fund	12,749	-	9,536	10,019	12,266	-	12,266
D.A.R.E. Fund	232	-	500	435	297	-	297
Equipment Reserve Fund	19,040	-	35,405	32,275	22,170	-	22,170
Family Aquatic Center Fund	148,688	-	210,546	199,626	159,608	-	159,608
Museum Trust Fund	70,996	-	948	4,281	67,663	-	67,663
Industrial Fund	64	-	66,525	61,978	4,611	-	4,611
Library Fund	-	-	67,005	67,005	-	-	-
Municipal Court Fund	414	-	4,490	4,489	415	-	415
Recreation Fund	-	-	16,776	16,776	-	-	-
Special Highway Fund	46,431	-	70,508	23,641	93,298	-	93,298
Special Law Enforcement Fund	21,938	-	17,831	22,001	17,768	19,601	37,369
Special Parks and Recreation Fund	8,468	-	6,698	2,042	13,124	-	13,124
Township Fire Equipment Fund	2,420	-	4,400	4,943	1,877	-	1,877
K-9 Unit Fund	2,088	-	-	255	1,833	-	1,833
Hillsboro 150th Fund	-	-	1,500	-	1,500	-	1,500
Capital Improvement Fund	308,456	-	191,513	457,297	42,672	-	42,672
Hillsboro Public Building Commission - Hospital	14,820	-	75,012	336	89,496	-	89,496
Hillsboro Public Building Commission - Family Aquatic Center	48,312	-	199,711	202,128	45,895	-	45,895
<b>Debt Service Fund</b>	80,062	-	2,793,684	2,816,188	57,558	-	57,558
<b>Bond and Interest Fund</b>							
<b>Capital Project Funds</b>	695,698	-	-	356,872	338,826	-	338,826
Sewer Bond Project Fund	13,393	-	864	-	14,257	-	14,257
Tree Screening Fund	-	-	-	-	-	-	-
<b>Proprietary Fund Category</b>							
<b>Enterprise Funds</b>							
Electric Operating Fund	622,726	-	2,575,939	2,498,906	699,759	1,648	701,407
Refuse Operating Fund	138,770	-	183,546	156,131	166,185	-	166,185
Sewer Operating Fund	144,065	-	519,859	534,023	129,901	-	129,901
Water Operating Fund	33,767	-	823,080	770,427	86,420	-	86,420
<b>Total Primary Government</b>	2,531,611	-	9,784,447	10,088,485	2,227,573	21,259	2,248,832
<b>Component Units</b>							
Library Board	58,224	-	86,970	82,824	62,370	-	62,370
Hillsboro Recreation Commission	24,868	-	65,014	54,603	35,279	-	35,279
Hillsboro Convention and Visitors Bureau	6,078	-	10,037	11,124	4,991	-	4,991
<b>Total Component Unit Funds</b>	99,170	-	162,021	148,551	102,640	-	102,640
<b>Total Reporting Entity (excluding agency funds)</b>	\$ 2,620,781	-	9,946,468	10,237,036	2,330,213	21,259	2,351,472

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Year Ended December 31, 2010

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**Composition of Cash**

Checking Accounts	\$ 2,274,708
Petty Cash	<u>300</u>
Total Primary Government	2,275,008
Total Component Units	102,640
Agency Funds per Statement 4	<u>(26,176)</u>
<b>Total Reporting Entity (excluding agency funds)</b>	<b>\$ <u>2,351,472</u></b>

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Summary of Expenditures - Actual and Budget**  
For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>Governmental Fund Categories</b>					
<b>General Fund</b>	\$ 1,988,388	-	1,988,388	1,846,411	(141,977)
<b>Special Revenue Funds</b>					
Airport Revolving Fund	13,112	-	13,112	10,019	(3,093)
D.A.R.E. Fund	609	-	609	435	(174)
Family Aquatic Center Fund	339,628	-	339,628	199,626	(140,002)
Museum Trust Fund	68,835	-	68,835	4,281	(64,554)
Industrial Fund	77,406	-	77,406	61,978	(15,428)
Library Fund	72,440	-	72,440	67,005	(5,435)
Municipal Court Fund	9,070	-	9,070	4,489	(4,581)
Recreation Fund	17,340	-	17,340	16,776	(564)
Special Highway Fund	90,300	-	90,300	23,641	(66,659)
Special Law Enforcement Fund	25,150	-	25,150	22,001	(3,149)
Special Parks and Recreation Fund	6,300	-	6,300	2,042	(4,258)
Township Fire Equipment Fund	6,212	-	6,212	4,943	(1,269)
K-9 Unit Fund	300	-	300	255	(45)
<b>Debt Service Fund</b>					
Bond and Interest Fund	1,078,753	1,855,000	2,933,753	2,816,188	(117,565)
<b>Proprietary Fund Category</b>					
<b>Enterprise Fund</b>					
Electric Operating Fund	2,638,400	-	2,638,400	2,498,906	(139,494)
Refuse Operating Fund	195,953	-	195,953	156,131	(39,822)
Sewer Operating Fund	577,031	-	577,031	534,023	(43,008)
Water Operating Fund	886,449	-	886,449	770,427	(116,022)

The notes to the financial statements are an integral part of this statement.



**CITY OF HILLSBORO, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 409,915	427,463	460,209	(32,746)
Delinquent Tax	3,898	4,330	-	4,330
Motor Vehicle Tax	61,195	59,049	58,680	369
Recreational Vehicle Tax	773	716	879	(163)
16/20M Vehicle Tax	733	513	630	(117)
Slider Tax	6,516	-	-	-
Local Sales/Use Tax	415,459	434,614	414,000	20,614
Local Alcoholic Liquor Tax	3,359	3,437	3,250	187
In Lieu of Tax	3,987	3,519	3,000	519
Excise Tax	35	12	-	12
Highway Connecting Links	314	314	300	14
Transient Guest Tax	8,029	7,754	8,600	(846)
Franchise Taxes	126,555	101,683	110,000	(8,317)
Licenses, Permits, and Fees	9,076	9,339	5,900	3,439
Building Permits	3,740	2,262	2,550	(288)
Rural Fire Contracts	7,138	8,138	4,500	3,638
Interest Income	4,824	3,356	-	3,356
Rent Income	3,775	3,460	3,500	(40)
Court Fines and Bonds	2,934	3,544	3,300	244
Reimbursements	24,378	26,219	57,288	(31,069)
Museum Income	1,175	1,501	1,000	501
Swimming Pool Receipts	36,749	51,344	44,000	7,344
Miscellaneous	29,190	20,183	16,900	3,283
Transfers In	623,500	735,821	718,405	17,416
<b>Total Cash Receipts</b>	<b>1,787,247</b>	<b>1,908,571</b>	<b>1,916,891</b>	<b>(8,320)</b>
<b>Expenditures</b>				
<b>Legislative</b>				
Personnel Services	11,780	11,580	12,440	(860)
Contractual Services	39,120	48,825	53,500	(4,675)
Commodities	18,387	15,804	20,000	(4,196)
<b>Total Legislative</b>	<b>69,287</b>	<b>76,209</b>	<b>85,940</b>	<b>(9,731)</b>
<b>Administrative</b>				
Personnel Services	365,428	303,611	323,282	(19,671)
Contractual Services	37,726	38,606	43,000	(4,394)
Commodities	50,151	54,245	50,602	3,643
Capital Outlay	1,673	-	-	-
Miscellaneous	2,545	3,005	2,150	855
<b>Total Administrative</b>	<b>\$ 457,523</b>	<b>399,467</b>	<b>419,034</b>	<b>(19,567)</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures (continued)</b>				
<b>Police</b>				
Personnel Services	\$ 343,091	344,739	364,002	(19,263)
Contractual Services	14,210	14,664	25,660	(10,996)
Commodities	15,498	21,981	35,950	(13,969)
Capital Outlay	2,050	2,258	9,000	(6,742)
Uniform Expense	3,492	2,441	4,300	(1,859)
<b>Total Police</b>	<u>378,341</u>	<u>386,083</u>	<u>438,912</u>	<u>(52,829)</u>
<b>Fire</b>				
Personnel Services	35,979	35,573	38,793	(3,220)
Contractual Services	6,585	9,762	13,300	(3,538)
Commodities	11,638	15,836	8,590	7,246
<b>Total Fire</b>	<u>54,202</u>	<u>61,171</u>	<u>60,683</u>	<u>488</u>
<b>Street</b>				
Personnel Services	146,213	145,086	153,470	(8,384)
Contractual Services	22,035	31,903	27,500	4,403
Commodities	45,974	61,295	65,000	(3,705)
<b>Total Street</b>	<u>214,222</u>	<u>238,284</u>	<u>245,970</u>	<u>(7,686)</u>
<b>Parks and Recreation</b>				
Personnel Services	9,819	9,066	11,461	(2,395)
Contractual Services	4,793	8,256	8,800	(544)
Commodities	5,186	5,961	7,000	(1,039)
Capital Outlay	-	9,342	5,000	4,342
<b>Total Parks and Recreation</b>	<u>19,798</u>	<u>32,625</u>	<u>32,261</u>	<u>364</u>
<b>Trees</b>				
Contractual Services	-	-	500	(500)
Commodities	646	136	500	(364)
<b>Total Trees</b>	<u>646</u>	<u>136</u>	<u>1,000</u>	<u>(864)</u>
<b>Museum</b>				
Personnel Services	38,242	39,842	46,306	(6,464)
Contractual Services	5,601	6,039	8,000	(1,961)
Commodities	9,037	7,487	8,000	(513)
Capital Outlay	881	-	-	-
<b>Total Museum</b>	<u>\$ 53,761</u>	<u>53,368</u>	<u>62,306</u>	<u>(8,938)</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures (continued)</b>				
<b>Swimming Pool</b>				
Personnel Services	\$ 49,396	54,701	65,645	(10,944)
Contractual Services	11,111	13,986	16,200	(2,214)
Commodities	24,183	21,826	26,500	(4,674)
Capital Outlay	-	-	1,000	(1,000)
<b>Total Swimming Pool</b>	<u>84,690</u>	<u>90,513</u>	<u>109,345</u>	<u>(18,832)</u>
<b>Golf</b>				
Personnel Services	68,332	69,722	84,180	(14,458)
<b>Public Safety</b>				
Rent to Hillsboro Public Building Commission - Health Care Facilities	75,000	75,000	75,000	-
Commodities	3,065	3,794	5,000	(1,206)
<b>Total Public Safety</b>	<u>78,065</u>	<u>78,794</u>	<u>80,000</u>	<u>(1,206)</u>
<b>Planning</b>				
Personnel Services	-	58,108	58,833	(725)
Contractual Services	-	245	10,000	(9,755)
Commodities	-	231	-	231
<b>Total Planning</b>	<u>-</u>	<u>58,584</u>	<u>68,833</u>	<u>(10,249)</u>
<b>Tourism</b>				
Appropriation	8,029	7,754	8,600	(846)
<b>Sports Complex</b>				
Personnel Services	58,994	59,642	61,993	(2,356)
Contractual Services	903	1,659	2,000	(341)
Commodities	7,461	9,482	12,500	(3,018)
Capital Outlay	650	5,308	4,000	1,308
<b>Total Sports Complex</b>	<u>68,008</u>	<u>76,091</u>	<u>80,493</u>	<u>(4,407)</u>
<b>Other Expenditures</b>				
Miscellaneous	3,900	1,200	1,800	(600)
Neighborhood Revitalization Rebate	-	-	4,393	(4,398)
Transfers Out	159,875	216,410	204,623	11,782
<b>Total Other Expenditures</b>	<u>163,775</u>	<u>217,610</u>	<u>210,823</u>	<u>6,784</u>
<b>Total Expenditures</b>	<u>1,718,679</u>	<u>1,846,411</u>	<u>1,988,383</u>	<u>(141,972)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	68,568	62,160		
<b>Unencumbered Cash - Beginning</b>	<u>29,446</u>	<u>98,014</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>98,014</u>	<u>160,174</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Airport Revolving Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
Fuel Sales	\$ 3,688	5,961	3,800	2,161
Rent	4,326	3,575	4,500	(925)
<b>Total Cash Receipts</b>	8,014	9,536	8,300	1,236
<b>Expenditures</b>				
Fuel	3,111	5,768	3,200	2,568
Utilities	3,654	3,374	3,600	(226)
Commodities	512	877	600	277
<b>Total Expenditures</b>	7,277	10,019	13,112	(3,093)
<b>Cash Receipts Over (Under) Expenditures</b>	737	(483)		
<b>Unencumbered Cash - Beginning</b>	12,012	12,749		
<b>Unencumbered Cash - Ending</b>	\$ 12,749	12,266		

The notes to the financial statements are an integral part of this statement.



**CITY OF HILLSBORO, KANSAS**  
**D.A.R.E. Fund**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Miscellaneous	\$ 300	500	300	200
<b>Expenditures</b>				
Commodities	357	435	609	(174)
<b>Cash Receipts Over (Under) Expenditures</b>	(57)	65		
<b>Unencumbered Cash - Beginning</b>	289	232		
<b>Unencumbered Cash - Ending</b>	\$ 232	297		

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Equipment Reserve Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 22,500	22,500
Miscellaneous	-	12,905
<b>Total Cash Receipts</b>	<u>22,500</u>	<u>35,405</u>
<b>Expenditures</b>		
Capital Outlay	35,635	-
Miscellaneous	-	3,900
Lease Payments	4,649	28,375
<b>Total Expenditures</b>	<u>40,284</u>	<u>32,275</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(17,784)	3,130
<b>Unencumbered Cash - Beginning</b>	<u>36,824</u>	<u>19,040</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 19,040</u>	<u>22,170</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Family Aquatic Center Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Transfers In	\$ 205,621	210,546	199,628	10,918
<b>Expenditures</b>				
Transfers Out	-	-	140,000	(140,000)
Rent to Hillsboro Public Building Commission - Family Aquatic Center	203,228	199,626	199,628	(2)
<b>Total Expenditures</b>	203,228	199,626	339,628	(140,002)
<b>Cash Receipts Over (Under) Expenditures</b>	2,393	10,920		
<b>Unencumbered Cash - Beginning</b>	146,295	148,688		
<b>Unencumbered Cash - Ending</b>	\$ 148,688	159,608		

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Museum Trust Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
Donations	\$ 495	480	1,000	(520)
Grant Proceeds	6,497	-	-	-
Interest Income	564	468	250	218
<b>Total Cash Receipts</b>	<u>7,556</u>	<u>948</u>	<u>1,250</u>	<u>(302)</u>
<b>Expenditures</b>				
Contractual Services	-	-	6,000	(6,000)
Commodities	8,895	4,265	62,835	(58,570)
Miscellaneous	2,600	16	-	16
<b>Total Expenditures</b>	<u>11,495</u>	<u>4,281</u>	<u>68,835</u>	<u>(64,554)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(3,939)	(3,333)		
<b>Unencumbered Cash - Beginning</b>	<u>74,935</u>	<u>70,996</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>70,996</u>	<u>67,663</u>		

The notes to the financial statements are an integral part of this statement.



**CITY OF HILLSBORO, KANSAS**  
**Industrial Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Over Under (Under)
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 14,035	14,593	15,715	(1,122)
Delinquent Tax	126	141	-	141
Motor Vehicle Tax	1,975	2,002	2,007	(5)
Recreational Vehicle Tax	25	24	30	(6)
16/20M Vehicle Tax	-	17	22	(5)
Slider Tax	203	-	-	-
Reimbursed Expenses	58,884	45,948	60,000	(14,052)
Transfers In	-	3,800	-	3,800
<b>Total Cash Receipts</b>	<b>75,248</b>	<b>66,525</b>	<b>77,774</b>	<b>(15,049)</b>
<b>Expenditures</b>				
Personnel Services	64,246	61,928	77,256	(15,328)
Contractual Services	2,281	-	-	-
Commodities	65	50	-	50
Neighborhood Revitalization	-	-	150	(150)
<b>Total Expenditures</b>	<b>66,592</b>	<b>61,978</b>	<b>77,406</b>	<b>(15,428)</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>8,656</b>	<b>4,547</b>		
<b>Unencumbered Cash - Beginning</b>	<b>(8,592)</b>	<b>64</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 64</b>	<b>4,611</b>		

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Library Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 55,693	58,315	62,835	(4,520)
Delinquent Tax	503	564	0	564
Motor Vehicle Tax	7,877	7,962	7,974	(12)
Recreational Vehicle Tax	100	97	119	(22)
16/20M Vehicle Tax	91	67	86	(19)
<b>Total Cash Receipts</b>	<u>64,264</u>	<u>67,005</u>	<u>71,014</u>	<u>(4,009)</u>
<b>Expenditures</b>				
Appropriation to Library Board	64,264	67,005	71,840	(4,835)
Neighborhood Revitalization Rebate	-	-	600	(600)
<b>Total Expenditures</b>	<u>64,264</u>	<u>67,005</u>	<u>72,440</u>	<u>(5,435)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	-	-		
<b>Unencumbered Cash - Beginning</b>	-	-		
<b>Unencumbered Cash - Ending</b>	\$ -	-		

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Meter Deposit Reserve Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures		
Transfers Out	17,861	-
Total Expenditures	17,861	-
Cash Receipts Over (Under) Expenditures	(17,861)	-
Unencumbered Cash - Beginning	17,861	-
Unencumbered Cash - Ending	\$ -	-

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Municipal Court Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
Fines and Fees	\$ 3,667	4,490	6,900	(2,410)
<b>Expenditures</b>				
Payments to State of Kansas	1,174	806	4,770	(3,964)
Payments to City of Hillsboro	2,934	3,544	3,300	244
Miscellaneous	15	139	1,000	(861)
<b>Total Expenditures</b>	4,123	4,489	9,070	(4,581)
<b>Cash Receipts Over (Under) Expenditures</b>	(456)	1		
<b>Unencumbered Cash - Beginning</b>	870	414		
<b>Unencumbered Cash - Ending</b>	\$ 414	415		

The notes to the financial statements are an integral part of this statement.



**CITY OF HILLSBORO, KANSAS**  
**Recreation Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Over Under
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 14,004	14,594	15,712	(1,118)
Delinquent Tax	126	141	-	141
Motor Vehicle Tax	1,969	2,000	2,005	(5)
Recreational Vehicle Tax	25	24	30	(6)
16/20M Vehicle Tax	23	17	22	(5)
<b>Total Cash Receipts</b>	<u>16,147</u>	<u>16,776</u>	<u>17,769</u>	<u>(993)</u>
<b>Expenditures</b>				
Appropriations	16,147	16,776	17,190	(414)
Neighborhood Revitalization	-	-	150	(150)
<b>Total Expenditures</b>	<u>16,147</u>	<u>16,776</u>	<u>17,340</u>	<u>(564)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	-	-		
<b>Unencumbered Cash - Beginning</b>	-	-		
<b>Unencumbered Cash - Ending</b>	\$ -	-		

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Special Highway Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	(Under)
<b>Cash Receipts</b>				
State Payments	\$ 66,863	70,508	77,300	(6,792)
Reimbursements	232	-	-	-
<b>Total Cash Receipts</b>	67,095	70,508	77,300	(6,792)
<b>Expenditures</b>				
Personnel Services	-	-	13,000	(13,000)
Commodities	957	1,134	-	1,134
Capital Outlay	92,556	22,507	77,300	(54,793)
<b>Total Expenditures</b>	93,513	23,641	90,300	(66,659)
<b>Cash Receipts Over (Under) Expenditures</b>	(26,418)	46,867		
<b>Unencumbered Cash - Beginning</b>	72,849	46,431		
<b>Unencumbered Cash - Ending</b>	\$ 46,431	93,298		

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Special Law Enforcement Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 19,180	14,593	15,345	(752)
Delinquent Tax	214	136	368	(232)
Motor Vehicle Tax	3,671	2,964	2,747	217
Recreational Vehicle Tax	48	35	41	(6)
16/20M Vehicle Tax	10	38	30	8
Reimbursements	9,375	-	-	-
Miscellaneous	66	65	80	(15)
<b>Total Cash Receipts</b>	<b>32,564</b>	<b>17,831</b>	<b>18,611</b>	<b>(780)</b>
<b>Expenditures</b>				
Capital Outlay	12,496	22,001	25,000	(2,999)
Neighborhood Revitalization	-	-	150	(150)
<b>Total Expenditures</b>	<b>12,496</b>	<b>22,001</b>	<b>25,150</b>	<b>(3,149)</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>20,068</b>	<b>(4,170)</b>		
<b>Unencumbered Cash - Beginning</b>	<b>1,870</b>	<b>21,938</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 21,938</b>	<b>17,768</b>		

The notes to the financial statements are an integral part of this statements.

**CITY OF HILLSBORO, KANSAS**  
**Special Parks and Recreation Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
Liquor Tax	\$ 2,909	2,538	2,800	(262)
Miscellaneous	-	4,160	-	4,160
<b>Total Cash Receipts</b>	2,909	6,698	2,800	3,898
<b>Expenditures</b>				
Commodities	250	82	-	82
Capital Outlay	909	1,960	6,300	(4,340)
<b>Total Expenditures</b>	1,159	2,042	6,300	(4,258)
<b>Cash Receipts Over (Under) Expenditures</b>	1,750	4,656		
<b>Unencumbered Cash - Beginning</b>	6,718	8,468		
<b>Unencumbered Cash - Ending</b>	\$ 8,468	13,124		

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Township Fire Equipment Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
Township Payments	\$ 6,818	4,393	5,000	(607)
Interest Income	9	7	200	(193)
<b>Total Cash Receipts</b>	<u>6,827</u>	<u>4,400</u>	<u>5,200</u>	<u>(800)</u>
<b>Expenditures</b>				
Contractual Services	2,793	3,707	4,000	(293)
Commodities	<u>1,626</u>	<u>1,236</u>	<u>2,212</u>	<u>(976)</u>
<b>Total Expenditures</b>	<u>4,419</u>	<u>4,943</u>	<u>6,212</u>	<u>(1,269)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	2,408	(543)		
<b>Unencumbered Cash - Beginning</b>	<u>12</u>	<u>2,420</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>2,420</u>	<u>1,877</u>		

The notes to the financial statements are an integral part of this statement.



## CITY OF HILLSBORO, KANSAS

## K-9 Unit Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2010

(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Donations	\$ 400	-	400	(400)
Miscellaneous	5	-	5	(5)
<b>Total Cash Receipts</b>	405	-	405	(405)
<b>Expenditures</b>				
Animal Care	327	255	-	255
Miscellaneous	53	-	300	(300)
<b>Total Expenditures</b>	380	255	300	(45)
<b>Cash Receipts Over (Under) Expenditures</b>	25	(255)		
<b>Unencumbered Cash - Beginning</b>	2,063	2,088		
<b>Unencumbered Cash - Ending</b>	\$ 2,088	1,833		

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Hillsboro 150th Fund**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Actual
<b>Cash Receipts</b>		
Income Received From Convention and Visitors Bureau	\$ -	1,500
<b>Expenditures</b>	-	-
<b>Cash Receipts Over (Under) Expenditures</b>	-	1,500
<b>Unencumbered Cash - Beginning</b>	-	-
<b>Unencumbered Cash - Ending</b>	\$ -	1,500

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Capital Improvement Fund**  
**Statement of Cash Receipts and Expenditures**  
**For the Year Ended December 31, 2010**  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Rental Income	\$ 60,298	35,881
Grant Income	11,020	10,000
Bond Proceeds	790,925	115,000
Lease Proceeds	34,000	-
Insurance Proceeds	34,715	-
Sale of Property	30,383	3,511
Sale of Lots	29,636	-
Sale of Jost Property	60,398	-
Land Reimbursement	285,820	-
Reimbursements	43,727	19,977
Miscellaneous	6,120	7,144
Transfers In	22,000	-
<b>Total Cash Receipts</b>	<u>1,409,042</u>	<u>191,513</u>
<b>Expenditures</b>		
Capital Outlay	29,978	4,000
Lease Purchase	34,000	-
Revolving Loan Payments	3,200	8,782
Debt Service Principal	-	104,999
Debt Service Interest	-	29,493
Airport	74,775	28,941
AMPI Property	83,583	33,843
Ash Street Project - ARRA Funds	32,900	3,168
Business Park	54,083	180,665
City Hall Remodeling	48,748	-
Sewer Renovations	490,956	265
Swimming Pool	6,242	2,472
Visitors Center	2,133	3,134
Westwinds Drainage	138,026	-
Willow Glen Additions	12,358	10,574
Miscellaneous	12,332	46,961
<b>Total Expenditures</b>	<u>1,023,314</u>	<u>457,297</u>
<b>Cash Receipts Over (Under) Expenditures</b>	385,728	(265,784)
<b>Unencumbered Cash - Beginning</b>	<u>(77,272)</u>	<u>308,456</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 308,456</u>	<u>42,672</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Hillsboro Public Building Commission - Health Care Facilities**  
**Statement of Cash Receipts and Expenditures**  
**For the Year Ended December 31, 2010**  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest Income	\$ 24	12
Rent Income From City of Hillsboro	-	75,000
<b>Total Cash Receipts</b>	<u>24</u>	<u>75,012</u>
<b>Expenditures</b>		
Contractual Services	1,312	336
Miscellaneous	74	-
<b>Total Expenditures</b>	<u>1,386</u>	<u>336</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(1,362)	74,676
<b>Unencumbered Cash - Beginning</b>	<u>16,182</u>	<u>14,820</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 14,820</u>	<u>89,496</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Hillsboro Public Building Commission - Family Aquatic Center**  
**Statement of Cash Receipts and Expenditures**  
**For the Year Ended December 31, 2010**  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Rent Income From City of Hillsboro	\$ 203,228	199,626
Interest Income	148	85
<b>Total Cash Receipts</b>	<u>203,376</u>	<u>199,711</u>
<b>Expenditures</b>		
Debt Service Principal	100,000	100,000
Debt Service Interest	103,228	97,633
Miscellaneous	-	4,495
<b>Total Expenditures</b>	<u>203,228</u>	<u>202,128</u>
<b>Cash Receipts Over (Under) Expenditures</b>	148	(2,417)
<b>Unencumbered Cash - Beginning</b>	<u>48,164</u>	<u>48,312</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 48,312</u>	<u>45,895</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF HILLSBORO, KANSAS**  
**Bond and Interest Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	(Under)
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 49,771	55,968	60,268	(4,300)
Delinquent Tax	300	463	-	463
Motor Vehicle Tax	4,063	6,628	7,121	(493)
Recreational Vehicle Tax	51	84	107	(23)
16/20M Vehicle Tax	58	32	77	(45)
Local Retailer Sales Tax	150,000	150,000	150,000	-
Slider Tax	657	-	-	-
Reimbursements	-	-	-	-
Bond Proceeds	-	1,855,000	-	1,855,000
Special Assessments	140,014	141,461	144,000	(2,539)
Interest Income	-	1,149	-	1,149
Township Payments	-	-	-	-
Miscellaneous	-	-	-	-
Transfers In	369,120	582,899	622,290	(39,391)
<b>Total Cash Receipts</b>	<u>714,034</u>	<u>2,793,684</u>	<u>983,863</u>	<u>1,809,821</u>
<b>Expenditures</b>				
Debt Service Principal	464,590	2,382,657	711,776	1,670,881
Debt Service Interest	208,205	386,336	329,401	56,935
Revolving Loan Payments	36,953	31,374	37,000	(5,626)
Commission and Postage	6	15,813	-	15,813
Neighborhood Revitalization Rebate	-	-	576	(576)
Miscellaneous	3	8	-	8
(a) Adjustment for Qualifying Budget Credit	-	-	1,855,000	(1,855,000)
<b>Total Expenditures</b>	<u>709,757</u>	<u>2,816,188</u>	<u>2,933,753</u>	<u>(117,565)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	<u>4,277</u>	<u>(22,504)</u>		
<b>Unencumbered Cash - Beginning</b>	<u>75,785</u>	<u>80,062</u>		
<b>Unencumbered Cash - Ending</b>	<u>\$ 80,062</u>	<u>57,558</u>		
<b>(a) Adjustment for Qualifying Budget Credit</b>				
Bond Proceeds Over Amount Budgeted			\$ 1,855,000	

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Sewer Bond Project Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Bond Proceeds	\$ 4,552,500	-
<b>Expenditures</b>		
Commodities	308,880	61,340
Capital Outlay	67,222	295,532
Revolving Loan Payments	3,480,700	-
<b>Total Expenditures</b>	<u>3,856,802</u>	<u>356,872</u>
<b>Cash Receipts Over (Under) Expenditures</b>	695,698	(356,872)
<b>Unencumbered Cash - Beginning</b>	<u>-</u>	<u>695,698</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 695,698</u>	<u>338,826</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Tree Screening Fund**  
**Statement of Cash Receipts and Expenditures**  
**For the Year Ended December 31, 2010**  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Donations	\$ 100	-
Reimbursements	3,800	-
Transfers In	<u>2,254</u>	<u>864</u>
<b>Total Cash Receipts</b>	6,154	864
<b>Expenditures</b>		
Commodities	<u>7,600</u>	<u>-</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(1,446)	864
<b>Unencumbered Cash - Beginning</b>	<u>14,839</u>	<u>13,393</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 13,393</u>	<u>14,257</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Electric Operating Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
Collections	\$ 2,308,151	2,552,411	2,650,000	(97,589)
Connection Fees	2,705	495	600	
Sale of Equipment	5,640	-	-	-
Reimbursements	17,943	21,938	2,000	19,938
Miscellaneous	19,448	1,095	750	345
<b>Total Cash Receipts</b>	<u>2,353,887</u>	<u>2,575,939</u>	<u>2,653,350</u>	<u>(77,306)</u>
<b>Expenditures</b>				
Personnel Services	222,282	231,091	219,154	11,937
Contractual Services	30,215	28,701	50,000	(21,299)
Commodities	249,069	157,627	248,200	(90,573)
Capital Outlay	-	-	32,000	(32,000)
Electric Purchases	1,430,970	1,461,025	1,600,000	(138,975)
Lease Payments	33,341	33,341	33,341	-
Transfers Out	377,500	587,121	455,705	131,416
<b>Total Expenditures</b>	<u>2,343,377</u>	<u>2,498,906</u>	<u>2,638,400</u>	<u>(139,494)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	10,510	77,033		
<b>Unencumbered Cash - Beginning</b>	<u>612,216</u>	<u>622,726</u>		
<b>Unencumbered Cash - Ending</b>	<u>\$ 622,726</u>	<u>699,759</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Refuse Operating Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
Collections	\$ 180,634	182,858	183,000	(142)
Reimbursements	49	648	-	648
Miscellaneous	50	40	100	(60)
<b>Total Cash Receipts</b>	180,733	183,546	183,100	446
<b>Expenditures</b>				
Personnel Services	74,785	77,298	70,653	6,645
Contractual Services	26,767	16,734	21,300	(4,566)
Commodities	11,423	12,839	28,000	(15,161)
Capital Outlay	2,500	-	26,000	(26,000)
Recycling	23,573	24,260	25,000	(740)
Transfers Out	23,500	25,000	25,000	-
<b>Total Expenditures</b>	162,548	156,131	195,953	(39,822)
<b>Cash Receipts Over (Under) Expenditures</b>	18,185	27,415		
<b>Unencumbered Cash - Beginning</b>	120,585	138,770		
<b>Unencumbered Cash - Ending</b>	\$ 138,770	166,185		

The notes to the financial statements are an integral part of this statement.



**CITY OF HILLSBORO, KANSAS**  
**Sewer Operating Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Collections	\$ 414,774	519,399	564,907	(45,508)
Interest Income	-	-	40	(40)
Reimbursements	183	460	300	160
Miscellaneous	70	-	-	-
<b>Total Cash Receipts</b>	<u>415,027</u>	<u>519,859</u>	<u>565,247</u>	<u>(45,388)</u>
<b>Expenditures</b>				
Personnel Services	71,719	76,436	69,833	6,603
Contractual Services	37,555	57,378	75,998	(18,620)
Commodities	11,989	22,303	18,500	3,803
Capital Outlay	5,640	11,768	25,000	(13,232)
Lease Payments	11,938	11,938	11,940	(2)
Transfers Out	278,880	354,200	375,760	(21,560)
<b>Total Expenditures</b>	<u>417,721</u>	<u>534,023</u>	<u>577,031</u>	<u>(43,008)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(2,694)	(14,164)		
<b>Unencumbered Cash - Beginning</b>	<u>146,759</u>	<u>144,065</u>		
<b>Unencumbered Cash - Ending</b>	<u>\$ 144,065</u>	<u>129,901</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Water Operating Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Over Over (Under)
<b>Cash Receipts</b>				
Collections	\$ 789,517	815,498	895,610	(80,112)
Reimbursements	2,418	6,717	-	6,717
Miscellaneous	5,208	865	4,000	(3,135)
<b>Total Cash Receipts</b>	<u>797,143</u>	<u>823,080</u>	<u>899,610</u>	<u>(76,530)</u>
<b>Expenditures</b>				
Personnel Services	188,613	189,158	195,744	(6,586)
Contractual Services	76,352	79,613	88,100	(8,487)
Commodities	119,624	99,205	133,451	(34,246)
Capital Outlay	4,820	2,290	70,000	(67,710)
Water Purchases	15,000	15,977	15,000	977
Revolving Loan Payments	10,485	10,485	10,485	-
Miscellaneous	1,853	-	-	-
Transfers Out	372,759	373,699	373,669	30
<b>Total Expenditures</b>	<u>789,506</u>	<u>770,427</u>	<u>886,449</u>	<u>(116,022)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	7,637	52,653		
<b>Unencumbered Cash - Beginning</b>	<u>26,130</u>	<u>33,767</u>		
<b>Unencumbered Cash - Ending</b>	<u>\$ 33,767</u>	<u>86,420</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, KANSAS  
**Library Board**  
Statement of Cash Receipts and Expenditures  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest Income	\$ 89	55
User Charges, Fines and Fees	3,981	4,071
Appropriations From the City of Hillsboro	64,264	67,005
Gifts, Memorials, and Donations	1,465	2,763
Book Sales	601	597
State of Kansas	1,844	2,131
Grants	-	5,500
Copies	2,836	2,499
Reimbursements	2,665	1,030
Miscellaneous	774	1,319
<b>Total Cash Receipts</b>	<b>78,519</b>	<b>86,970</b>
<b>Expenditures</b>		
Personnel Services	43,703	47,218
Contractual Services	2,884	3,033
Commodities	28,821	31,023
Capital Outlay	-	1,550
<b>Total Expenditures</b>	<b>75,408</b>	<b>82,824</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>3,111</b>	<b>4,146</b>
<b>Unencumbered Cash - Beginning</b>	<b>55,113</b>	<b>58,224</b>
<b>Unencumbered Cash - Ending</b>	<b>\$ 58,224</b>	<b>62,370</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Hillsboro Recreation Commission**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Athletic Programs	\$ 30,079	45,110
Fundraising and Donations	6,448	1,680
Appropriations From the City of Hillsboro	16,147	16,776
Reimbursements	1,430	1,210
Miscellaneous	322	238
<b>Total Cash Receipts</b>	<u>54,426</u>	<u>65,014</u>
<b>Expenditures</b>		
Athletic Programs	30,520	40,330
Contractual Services	3,152	1,732
Commodities	3,585	861
Capital Outlay	15,047	108
Field and Equipment Maintenance	199	836
Utilities	4,598	8,585
Miscellaneous	-	2,151
<b>Total Expenditures</b>	<u>57,101</u>	<u>54,603</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(2,675)	10,411
<b>Unencumbered Cash - Beginning</b>	<u>27,543</u>	<u>24,868</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 24,868</u>	<u>35,279</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Hillsboro Convention and Visitors Bureau**  
**Statement of Cash Receipts and Expenditures**  
**For the Year Ended December 31, 2010**  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Appropriations From the City of Hillsboro	7,200	8,029
125th Celebration Revenue	3,025	235
Donations	2,161	1,128
Fairs and Festivals	2,211	645
<b>Total Cash Receipts</b>	<u>14,597</u>	<u>10,037</u>
<b>Expenditures</b>		
Contractual	1,396	2,623
Chamber of Commerce	6,031	5,042
125th Celebration Expenses	3,923	2,185
Miscellaneous	-	1,274
<b>Total Expenditures</b>	<u>11,350</u>	<u>11,124</u>
<b>Cash Receipts Over (Under) Expenditures</b>	3,247	(1,087)
<b>Unencumbered Cash - Beginning</b>	<u>2,831</u>	<u>6,078</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 6,078</u>	<u>4,991</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HILLSBORO, KANSAS**  
**Agency Funds**  
Summary of Cash Receipts and Cash Disbursements  
For the Year Ended December 31, 2010

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
<b>Meter Deposit Fund</b>	\$ 21,392	13,930	15,974	19,348
<b>Payroll Withholding Fund</b>				
Federal Withholding	-	108,701	108,701	-
State Withholding	-	48,120	48,120	-
Social Security and Medicare	-	79,305	79,305	-
KPERS Retirement	-	51,356	51,356	-
Cafeteria Health Insurance	52	39,076	39,054	74
Other	690	36,910	36,611	989
<b>Total Payroll Withholding Fund</b>	742	363,468	363,147	1,063
<b>Sales Tax Fund</b>	6,463	77,845	78,543	5,765
<b>Total</b>	\$ 28,597	455,243	457,664	26,176

The notes to the financial statements are an integral part of this statement.



## **CITY OF HILLSBORO, KANSAS**

### **Notes to Financial Statements**

December 31, 2010

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**City of Hillsboro, Kansas** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

##### **Reporting Entity**

The City is a municipal corporation governed by an elected mayor and elected five-member council. These financial statements present the City (primary government) and four of its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

The component units section of these financial statements includes the financial data of the discretely and blended presented component units. The governing bodies of these component units are appointed by the City. The City exercises significant influence or accountability based on primarily on operational or financial relationships

##### **Hillsboro Public Building Commission**

The City's Public Building Commission was formed March 17, 1998, under K.S.A 12-1757 to 12-1768.. The commission can sue and be sued, and can buy, sell, or lease real property. The commission can issue revenue bonds without City approval for the purpose of providing funds to acquire, erect, equip, repair, maintain, and operate buildings or other facilities maintained and operated by the City, as amended by Charter Ordinance No. 14. The commission is presented as a blended component unit as a special revenue fund.

##### **Library Board**

The City's Library Board operates the City's public library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City. The Board's members are appointed by the City Council. The City substantially funds the Board's operations by levying tax dollars for the library. Contact the City Clerk for further information.

##### **Hillsboro Recreation Commission**

The City's Recreation Commission oversees recreation activities. The recreation commission operates as a separate governing body but the City levies the taxes for the recreation commission and the recreation commission has only the powers granted by statute, K.S.A. 12-1928. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City. Contact the City Clerk for further information.

##### **Hillsboro Convention and Visitors Bureau**

The City's Convention and Visitors Bureau oversees recreation activities. The convention and visitors bureau operates as a separate governing body but the City levies the taxes for the convention and visitors bureau. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City. Contact the City Clerk for further information.

The component unit listed below is excluded from the financial statements.

## CITY OF HILLSBORO, KANSAS

### Notes to Financial Statements

December 31, 2010

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Housing Authority of City of Hillsboro, Kansas**

The City's Housing Authority operates a subsidized public housing project. The board is appointed by the City, and the City is entitled to the resources of the Housing Authority. The housing authority can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City. Its financial statements are not included in this report. Contact the City to obtain financial statements for the housing authority.

##### **Use of Estimates**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from those estimates.

##### **Basis of Presentation - Fund Accounting**

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2010.

##### **Governmental Fund Categories**

**General Fund** - to account for all financial resources except those required to be reported in another fund.

**Special Revenue Funds** - to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

**Debt Service Funds** - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Capital Project Funds** - to account for financial resources to be used for the acquisition or construction of major capital facilities.

##### **Proprietary Fund Category**

**Enterprise Funds** - to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

##### **Fiduciary Fund Category**



## CITY OF HILLSBORO, KANSAS

### Notes to Financial Statements

December 31, 2010

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Agency Funds** – to account for assets held by the City as trustee or agent for others.

##### **Statutory Basis of Accounting**

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

##### **Departure From Accounting Principles Generally Accepted in the United States of America**

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

##### **Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication

## CITY OF HILLSBORO, KANSAS

### Notes to Financial Statements

December 31, 2010

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the hearing may be held and the governing body may amend the budget at that time. There was one budget amendment for this year for the Special Law Enforcement Fund, K-9 Unit Fund, and Electric Operating Fund.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual cash receipts and expenditures compared to legally budgeted cash receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, and the following special revenue funds: Equipment Reserve Fund, Meter Deposit Reserve Fund, Hillsboro 150<sup>th</sup> Fund, Capital Improvement Fund, Hillsboro Public Building Commission – Health Care Facilities, and Hillsboro Public Building Commission – Family Aquatic Center.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

The Library Board, Hillsboro Recreation Commission, and Hillsboro Convention and Visitors Bureau are not subject to the legal annual operating budget requirements, but are controlled by the use of an internal budget established by the governing bodies. Since they are not subject to these requirements, comparison to budget has been omitted from the financial statements.

#### Deposits and Investments

The City follows the practice of pooling cash deposits of all funds. Each fund's portion of total cash deposits is summarized by fund category in the summary of cash receipts, cash disbursements, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.



## CITY OF HILLSBORO, KANSAS

### Notes to Financial Statements

December 31, 2010

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A 9-1405.

##### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2010.

At December 31, 2010, the City's carrying amount of deposits was \$2,275,008 and the bank balance was \$2,322,480. The bank balance was held by three bank resulting in a concentration of credit risk. Of the bank balance \$403,929 was covered by federal depository insurance and \$1,918,551 was collateralized with securities held by pledging financial institutions' agents in the City's name. In addition, the City had cash on hand of \$300.

At December 31, 2010, the Library's carrying amount of deposits was \$62,370 and the bank balance was \$66,215. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, the entire balance was covered by federal depository insurance.

At December 31, 2010, the Hillsboro Recreation Commission's carrying amount of deposits was \$35,279 and the bank balance was \$35,366. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, the entire amount was covered by federal depository insurance.

At December 31, 2010, the Hillsboro Conventions and Visitors Bureau carrying amount of deposits was \$4,991 and the bank balance was \$4,935. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, the entire amount was covered by federal depository insurance.

##### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2010.

#### Compensated Absences

##### Vacation

City of Hillsboro, Kansas' pay period is bi-weekly, for a total of 26 pay periods per year. Vacation earned may not be taken until the employee completes one year of service. Vacation leave is earned by the employee beginning with the date of employment. An employee who works fewer than 12 days in any month will not accrue vacation credit for such month of service; provided, that this restriction of 12 days will not apply where the employee has worked fewer than 12 days due to authorized vacation or sick leave. The City's full-time employees are entitled to paid vacation leave as follows:

## CITY OF HILLSBORO, KANSAS

### Notes to Financial Statements

December 31, 2010

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Years of Service</u>	<u>Per Year</u>	<u>Maximum Accumulation</u>
1 to 10 years	80 working hours	160 working hours
After 10 years	120 working hours	240 working hours

Part-time employees who work at least 20 hours per week earn vacation leave at the rate of 4 hours for each month of employment. Seasonal and temporary employees do not earn vacation leave. Training employees terminated prior to attaining full-time or part-time status are not paid for any accrued vacation. An employee shall be paid for all accumulated unused vacation leave upon termination. A potential liability of \$65,012 for accumulated vacation time existed as of December 31, 2010.

#### Sick Leave

Employees will not earn sick leave until they have been employed with the City for one continuous year. The City's policy for sick leave permits full-time employees to earn sick leave at the rate of eight hours per calendar month up to a maximum of 480 hours. Part-time employees who work at least 20 hours per week earn sick leave at the rate of 4 hours per calendar month up to maximum of 480 hours. Seasonal and temporary employees do not earn sick leave. Sick leave will be paid for absences resulting from personal illness, injuries, accidents or other physical incapacities, occurring either on or off the job. On termination of employment an employee shall not be paid for accumulated sick leave. Accordingly, no provision for accumulated sick leave has been made in the accompanying financial statements.

#### Compensation Time

Compensation for authorized overtime work shall be at the rate of one and one-half times the employee's regular rate of pay. At the discretion of the department head and with the agreement of the employee, an employee may be given compensatory time off in lieu of cash payments for the overtime worked. Any compensatory time off shall be at the rate of one and one-half times the hours of overtime worked. Compensatory time off that is accrued by an employee for overtime work shall be taken within two pay periods following the pay period in which it was earned. Upon termination of employment, the accrued compensatory time will be paid to the employee at either the average rate of pay received during the last three years of employment or the final regular rate of pay received, whichever is higher. A potential liability of \$6,228 for accumulated compensation time existed as of December 31, 2010.

#### Defined Benefit Pension Plan

##### Plan Description

The City contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

##### Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation.



## CITY OF HILLSBORO, KANSAS

### Notes to Financial Statements

December 31, 2010

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2010 was 7.14% and 12.52% for KPERS retirees. The City's employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$87,232, \$79,752, and \$59,045, respectively, equal to the required contributions for each year as set forth by the legislature.

##### Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

##### Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

##### Restricted Assets

Restricted cash balances are also reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust and agency funds of the City for special purposes.

##### Reimbursements

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

#### NOTE 2 - TRANSFERS AND PAYMENTS

Interfund transfers within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Hillsboro, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2010 were as follows:

From	To	Statutory Authority	Amount
General Fund	Family Aquatic Center Fund	C.O. #11,14	\$ 210,546
Electric Operating Fund	General Fund	K.S.A. 12-825d	575,821

**CITY OF HILLSBORO, KANSAS**

## Notes to Financial Statements

December 31, 2010

**NOTE 2 – TRANSFERS AND PAYMENTS (continued)**

From	To	Statutory Authority	Amount
Sewer Operating Fund	General Fund	K.S.A. 12-825d	\$ 50,000
Refuse Operating Fund	General Fund	K.S.A. 12-825d	25,000
Water Operating Fund	General Fund	K.S.A. 12-825d	85,000
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	5,000
Electric Operating Fund	Equipment Reserve Fund	K.S.A. 12-1,117	7,500
Sewer Operating Fund	Equipment Reserve Fund	K.S.A. 12-1,117	5,000
Water Operating Fund	Equipment Reserve Fund	K.S.A. 12-1,117	5,000
Sewer Operating Fund	Bond and Interest Fund	K.S.A. 12-825d	299,200
Water Operating Fund	Bond and Interest Fund	K.S.A. 12-825d	283,699
Electric Operating Fund	Industrial Fund	K.S.A. 12-825d	3,800
General Fund	Tree Screening Fund	K.S.A. 12-1,118	864

**NOTE 3 - CAPITAL PROJECTS**

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

Project Name	Project Authorization	Cash Disbursements and Accounts Payable to Date
Ash Street Project	\$ 125,000	3,168
Sewer Lagoon Project	5,302,500	3,942,517

**NOTE 4 - LITIGATION**

**City of Hillsboro, Kansas** is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

**NOTE 5 - RISK MANAGEMENT**

**City of Hillsboro, Kansas** carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, law enforcement liability, workers' compensation, aviation general liability, public officials errors and omissions, and employee benefit liability. The City has been unable to obtain worker's compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joining together with other cities in the State to participate in Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for 141 participating members.

The City pays an annual premium to KMIT for its workers compensation insurance coverage. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT management.



**CITY OF HILLSBORO, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 5 - RISK MANAGEMENT (continued)**

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 6 - GRANTS AND SHARED REVENUES**

**City of Hillsboro, Kansas** participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

**NOTE 7 - COMPARATIVE DATA**

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in City of Hillsboro, Kansas' cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

**NOTE 8 - JOINT VENTURES**

**City of Hillsboro, Kansas** has entered into a joint venture with several of the townships (Risley Township, Liberty Township, Lehigh Township and Menno Township) surrounding the City. In the agreement the townships provide some of the necessary equipment and the City will provide fire protection to these townships. The City owns some of the fire trucks. The City will be compensated for providing this service (\$200 per fire run) and will be compensated with an annual fee due by the townships. The annual fee for each township is as follows: Risley Township \$350, Liberty Township \$350, Lehigh Township \$350, and Menno Township \$88. Each township is also required to contribute annually into a capital improvement fund owned by the City. The annual contribution for each township is as follows: Risley Township \$1,150, Liberty Township \$1,150, Lehigh Township \$1,150, and Menno Township \$500.

The City entered into a joint funding agreement on August 17, 2010 with Hillsboro Development Corporation and Hillsboro Ventures, Inc. regarding the funding of an economic development director position. The City is to contribute 86.83% of the salary and act as the paying agent of the director. The other two corporations reimburse the City for their share of the salary.

**NOTE 9 - LEASE RECEIVABLE**

The City entered into an unconditional lease with Alltel Kansas Limited Partnership on October 10, 2003 in which the City is the lessor. The term of this lease is for five years; however, the tenant has the right to extend this lease for four additional terms of five years on the same terms and conditions as set forth in the lease agreement. As this lease is unconditional the City has lease payments receivable of \$4,620 for 2011, \$4,620 for 2012 and \$4,736 for 2013.

**CITY OF HILLSBORO, KANSAS**

## Notes to Financial Statements

December 31, 2010

**NOTE 10 - LEASE PAYABLE**

The City entered a lease agreement with Hillsboro Public Building Commission on October 15, 2005 in which the City is the lessee. The basic term ends on October 1, 2026, subject to prior termination or renewal as specified in the lease. The term of the lease may be extended for two consecutive five year terms, each such five year renewal period referred to as an "additional term".

The terms of the lease provide for basic rent to be paid on each basic rent payment date, in amounts sufficient to pay on the next succeeding payment date, the principal of, redemption premium, if any, and interest on the Series 2005 bonds which are due. The basic rent payment dates means with respect to the lease each April 1 and October 1, commencing April 1, 2006, and continuing throughout the basic term of the lease. The lease agreement also provides for the payment of additional rent, in addition to basic rent, in amounts pursuant to the terms of the lease. The City intends that revenues received from a one-half cent sales tax, approved by the voters in the City on April 5, 2005, and from the operation of the Project under the provisions of the lease, will be used to make the City's payments to the Commission under the lease, which payments will in turn, be used to pay debt service on the Series 2005 bonds. To the extent that the payments of basic rent and additional rent are not adequate to provide the Commission with funds sufficient to pay the principal and interest on the bonds as they become due and payable, the City shall be obligated to pay, as additional rent, further sums of money as may be required for such purposes.

The schedule of amended basic rental payments due from the City is as follows:

<b>Year</b>	<b>Total Basic Rental Payment</b>	<b>Principal Component</b>	<b>Interest Component</b>
2011	\$ 95,927	-	95,927
2012	201,938	110,000	91,938
2013	202,648	115,000	87,648
2014	203,048	120,000	83,048
2015	203,188	125,000	78,188
2016-2020	1,004,564	700,000	304,564
2021-2025	1,003,487	875,000	128,487
<b>Total</b>	<b>\$ 2,914,800</b>	<b>2,045,000</b>	<b>869,800</b>

**NOTE 11 – DEBT RESTRICTIONS AND COVENANTS****KDOT Revolving Loan**

**City of Hillsboro, Kansas** entered into a loan agreement with the Kansas Department of Transportation October 17, 2006 to fund qualified project costs of a transportation project in the amount of \$531,535. As of December 31, 2010 this project was not complete and \$0 was drawn down from this loan during the current year. The loan agreement requires the City to have a minimum of \$500,000 general liability insurance coverage policy in effect during the course of this loan agreement. The City is in compliance with this requirement as of December 31, 2010.

**NOTE 12 – LONG-TERM DEBT**

**City of Hillsboro, Kansas** has the following types of long-term debt.



**CITY OF HILLSBORO, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 12 – LONG-TERM DEBT (continued)**

**General Obligation Bond** – On October 15, 1997, the City issued \$160,990 in Series 1997A bonds for the purpose of internal improvements.

On February 1, 2000, the City issued \$1,195,000 in Series 2000A bonds for the purpose of internal improvements.

On August 1, 2001, the City issued \$804,500 in Series 2001A bonds for the purpose of internal improvements.

On June 1, 2003, the City issued \$400,000 in Series 2003 bonds for the purpose of internal improvements.

On May 15, 2004, the City issued \$1,645,000 in Series 2004A bonds for the purpose of providing funds for the purpose of refunding prior issued bonds.

On December 15, 2004, the City issued \$640,000 in Series 2004B bonds for the purpose of internal improvements.

On October 15, 2005, Hillsboro Public Building Commission (with authorization from the City) issued \$2,630,000 in Series 2005A bonds for the purpose paying certain costs of issuance and costs of constructing a Family Aquatic Center.

On June 27, 2006, the City issued \$1,920,000 in Series 2006A bonds for the purpose of internal improvements.

On September 20, 2007, the City issued \$78,358 in Series 2007A bonds for the purpose of internal improvements.

On September 16, 2009, the City issued \$4,552,500 in Series 2009A bonds for the purpose of internal improvements.

On November 2, 2010, the City issued \$1,970,000 in Series 2010 bonds for the purpose of providing funds of \$115,000 for internal improvements and for the purpose of refunding \$805,000 in Series 2004A general obligation bonds, \$135,000 in Series 2003 general obligation bonds, \$400,000 in Series 2001A general obligation bonds, and \$515,000 in Series 2000A general obligation bonds.

**KDHE Revolving Loan** - The City enacted a \$146,352 revolving loan agreement on July 10, 2006 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance the construction on Lincoln Street. The City will use proceeds generated by the City for loan repayment, which began on August 1, 2006.

**KDOT Revolving Loan** - The City enacted a \$531,535 revolving loan agreement October 17, 2006 with the Kansas Department of Transportation acting on behalf of the State of Kansas to finance the construction on Adams Street. The City will use proceeds generated by the City for loan repayment, which began on August 1, 2007.

**Capital Leases** - The City has entered into several capital lease agreements with options to purchase the equipment at the expiration of the lease term.

**CITY OF HILLSBORO, KANSAS**  
Notes to Financial Statements  
December 31, 2010

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**NOTE 12 – LONG-TERM DEBT (continued)**

The changes in long-term debt and the maturity of long-term debt are disclosed on the following two pages.



**CITY OF HILLSBORO, KANSAS**  
Notes to Financial Statements  
December 31, 2010

**NOTE 12 - LONG-TERM DEBT (continued)**

Changes in long-term liabilities for the City for the year ended December 31, 2010 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
<b>General Obligation Bonds</b>										
Series 1997A	4.55%-5.15%	1997	\$ 160,990	2013	\$ 60,000	-	15,000	(15,000)	45,000	3,000
Series 2000A	4.60%-5.50%	2000	1,195,000	2015	600,000	-	600,000	(600,000)	-	39,365
Series 2001A	4.20%-6.25%	2001	804,500	2016	455,000	-	455,000	(455,000)	-	28,997
Series 2003	2.00%-3.30%	2003	400,000	2013	175,000	-	175,000	(175,000)	-	6,560
Series 2004A	1.50%-4.00%	2004	1,645,000	2015	950,000	-	950,000	(950,000)	-	46,864
Series 2004B	2.00%-3.20%	2004	640,000	2010	120,000	-	120,000	(120,000)	-	3,840
Series 2005A	3.70%-4.75%	2005	2,630,000	2025	2,250,000	-	205,000	(205,000)	2,045,000	97,633
Series 2006A	4.50%	2006	1,920,000	2046	1,863,725	-	20,471	(20,471)	1,843,254	83,868
Series 2007A	4.75%-5.90%	2007	78,358	2023	78,358	-	3,358	(3,358)	75,000	4,163
Series 2009A	4.38%	2009	4,552,500	2049	4,552,500	-	43,827	(43,827)	4,508,673	199,172
Series 2010	3.00%	2010	1,970,000	2020	-	1,970,000	-	1,970,000	1,970,000	-
<b>Total General Obligation Bonds</b>					<b>11,104,583</b>	<b>1,970,000</b>	<b>2,587,656</b>	<b>(617,656)</b>	<b>10,486,927</b>	<b>513,462</b>
<b>Revolving Debt</b>										
KDHE Revolving Loan	3.77%	2006	146,352	2026	127,950	-	5,715	(5,715)	122,235	4,770
KDOT Revolving Loan	3.79%	2006	531,535	2025	463,410	-	22,593	(22,593)	440,817	17,563
<b>Total Revolving Debt</b>					<b>591,360</b>	<b>-</b>	<b>28,308</b>	<b>(28,308)</b>	<b>563,052</b>	<b>22,333</b>
<b>Capital Leases</b>										
Street Sweeper	4.44%	2007	124,763	2012	78,085	-	24,906	(24,906)	53,179	3,469
International Bucket Truck	4.69%	2007	145,587	2012	91,323	-	29,056	(29,056)	62,267	4,285
Sewer Truck	4.25%	2009	34,000	2011	22,660	-	11,099	(11,099)	11,561	839
<b>Total Capital Leases</b>					<b>192,068</b>	<b>-</b>	<b>65,061</b>	<b>(65,061)</b>	<b>127,007</b>	<b>8,593</b>
<b>Compensated Absences</b>										
	N/A	N/A	N/A	N/A	86,652	-	-	(15,411)	71,241	-
<b>Total Primary Government Long-Term Debt</b>			<b>\$ 16,978,585</b>		<b>\$ 11,974,663</b>	<b>1,970,000</b>	<b>2,681,025</b>	<b>(726,436)</b>	<b>11,248,227</b>	<b>544,388</b>

CITY OF HILLSBORO, KANSAS  
Notes to Financial Statements  
December 31, 2010

**NOTE 12 - LONG-TERM DEBT (continued)**

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

		YEAR													Total
		2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	2046-2050		
Principal	General Obligation Bonds	\$ 471,137	585,101	608,196	561,428	569,802	1,264,074	1,461,806	701,002	870,048	1,079,868	1,340,298	974,167	10,486,927	
	Revolving Debt	29,381	30,496	31,653	32,853	34,099	190,908	208,514	5,148	-	-	-	-	563,052	
	Capital Leases	67,993	59,014	-	-	-	-	-	-	-	-	-	-	127,007	
	Total Principal	568,511	674,611	639,849	594,281	603,901	1,454,982	1,670,320	706,150	870,048	1,079,868	1,340,298	974,167	11,176,986	
Interest	General Obligation Bonds	431,616	421,984	401,997	381,097	361,768	1,598,229	1,302,510	1,035,688	866,642	656,823	396,393	102,168	7,956,915	
	Revolving Debt	21,260	20,145	18,989	17,788	16,542	62,298	23,238	97	-	-	-	-	180,357	
	Capital Leases	5,661	2,701	-	-	-	-	-	-	-	-	-	-	8,362	
	Total Interest	458,537	444,830	420,986	398,885	378,310	1,660,527	1,325,748	1,035,785	866,642	656,823	396,393	102,168	8,145,634	
Total Principal and Interest		\$ 1,027,048	1,119,441	1,060,835	993,166	982,211	3,115,509	2,996,068	1,741,935	1,736,690	1,736,691	1,736,691	1,076,335	19,322,620	